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## Business and/or politics in Europe [News items]

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## Business and/or Politics in Europe

By M. P. SWAN

(For several years until recently on the staff of the Paris Office)

THE writer has been asked by the editor of the *Bulletin* to contribute something regarding the general political and business situation in Europe at present, the progress being made by American capital, and the opportunity for development of American business there.

The first thought which occurs to anybody attempting to write on the above subjects is that so much useless as well as useful material has been already contributed along these lines by various persons of varying degrees of competence, experience, judgment, and rashness, that it requires a certain amount of courage to try once more the patience and forbearance of readers by inflicting one's views or opinions on them. How many times have we all read of this or that economist, banker, or big business man making a tour of Europe, studying conditions there, and after a sojourn for a few brief weeks, finding a ready-made cure for all its ills, social, economic, and political? But in all the host of would-be helpers of Europe how many false prophets have arisen and since been forgotten? We all know that the best brains of Europe, and for that matter of the whole world, have been working unceasingly and untiringly during the past six years on the many problems left in the wake of the great war, and that if these problems had not been inherently difficult and almost unsusceptible of solution, they would long since have solved them.

If we have learned anything at all from the lessons of the past few years, it is not to be rashly optimistic, nor too despondent, but rather to preserve confidence and look to conservatism as our guide.

Politics and business are so closely and inextricably associated in Europe, and the reactions of the former so noticeable on the latter that any attempt to discuss business conditions without briefly sur-

veying the political causes underlying them would be unsatisfactory.

This statement would seem at first sight perhaps an exaggeration, but a single instance will suffice to emphasize its accuracy and importance. A certain importer, we will say, whose business is located in France, may have ceased, or at least largely curtailed his purchases in the United States, and the question arises, "Why?" The answer, in a large proportion of the cases, is that the dollar exchange rate is so unfavorable that he simply cannot afford to purchase in America, and must either turn his attention to countries with whom the franc is in better standing, or otherwise go out of business. If we pursue the question a little further and want to know why the exchange rates are unfavorable, after some thought and having made due allowance for other influences, such as trade balances, financial policy, paper circulation, etc., which might reasonably be expected to influence the exchange rates, we are forced to the conclusion that in a very large measure, political events have shaped the exchange movement, with a corresponding reaction on business.

In November, 1918, with the conclusion of the armistice and the subsequent signing of peace in June, 1919, the whole world heaved an immense sigh of relief, and concluded that the reign of brotherly love and good-will among men had commenced. Those alive today know how much bitterness and disappointment those unfulfilled hopes have caused.

The attempts to put into operation and enforce the treaty provisions have held up before our eyes, on the one hand a Germany unable, or unwilling, or both, to meet her obligations loyally, and on the other hand that of the Allied Governments, whose soldiers had fought together a common foe, at odds with one another

over practically every question, and worse still, by their own dissensions and recriminations, encouraging the Nationalist Junkers in Germany to hamper and weaken the Republican Government there, which was endeavoring to reach an accommodation with the allies.

During six valuable years the sum total of the accomplishment of the allied powers has been more than a dozen conferences, at which they invariably "agreed to disagree," while proclaiming that they had made considerable progress. Meanwhile, as time went on, the situation became worse and Germany's capacity to pay lessened for a variety of causes. New governments came on the scene and either reversed the procedure of their predecessors, or succeeded in muddling things up worse than they had been before. Throughout all the conferences France and England have held the center of the stage, and their opinions regarding the proper manner to secure observance of the treaty by Germany have always been diametrically opposed. England with a huge army of unemployed has always shown a disposition to give Germany a chance to get on her feet, so to speak, by treating her with a certain degree of leniency, hoping and contending that a rehabilitated Germany would mean an additional market, and consequently an incentive to commerce and industry the effects of which would be generally beneficial. The French, on the other hand, have had scarcely any unemployment problem, their country being so well balanced between manufacturing and agricultural interests, but they have been keenly and rightfully interested in the collection of their just reparations, and have never evinced a very deep desire to see Germany get strong and prosperous too quickly. Here their attitude is perhaps somewhat inconsistent, but those of us who have lived in France, and have traveled through the devastated regions (a considerable proportion of which is happily rebuilt, or being reconstructed at the present time) can readily sympathize with

the justice of her demands for payment. Immense domestic loans have been launched to provide the necessary funds for rebuilding, etc., and it is only right that these sums should be reimbursed to the French treasury by Germany, up to the full limit of her capacity.

Another question in which France is vitally interested is that of her security against future aggression on the part of Germany. This question is of as much, if not greater, importance to her than the question of her reparations payments.

It was originally promised to France that both America and England would come to her aid in the event of unprovoked aggression by Germany, but when the United States refused to ratify the treaty of Versailles this project fell through, and the fears of France in this connection are quite human and understandable, if one takes into account the traditional enmity which has always existed between herself and Germany, added to her experiences in the last war.

France has been severely criticised generally for her unrelenting attitude towards Germany, for her occupation of the Ruhr, etc., and she has been accused of causing untold suffering all over Europe by preventing the resumption of trade with Germany. In this connection it should be remembered that she only entered the Ruhr after Germany had ceased making payments on account of reparations, and after having seen her claims considerably whittled down as a result of conference decisions. France occupied the Ruhr by virtue of the provisions of the treaty, and it was only several months after the actual occupation that England protested that it was illegal. The viewpoints of the two allied countries, from the armistice on, have always been divergent, because their vital interests have been different.

For some time past forces have been at work in Europe and America preparing the way for a solution of at least some of the difficult problems which have arisen. Thus, as a result of the discussions on the defaults in reparation payments by Germany,

a committee was appointed by the Reparations Commission, primarily to inquire into and report on the financial capacity of Germany. This committee, which was headed by General Dawes, was given rather broad powers, and entrusted with the task of finding solutions, if possible, for the many pressing problems outstanding. As a result of the efforts of this Committee, there was finally evolved what is known as the "Dawes plan." While most people have praised this plan and regarded it as a sort of beacon, sending forth a solitary ray over Europe's troubled sea, there were others, particularly in France, who have criticised it severely. Soon after its publication, however, it was accepted in principle by the then Governments of England and France, but before its application was seriously considered, both of these countries experienced what might be termed bloodless revolutions. In the former country, for the first time in its history, a Labor government was returned to power, while in the latter, the "Bloc National" or conservative party, headed by M. Poincaré, was turned out of office and replaced by the Radical party, under the leadership of M. Herriot. In addition, the then President of the Republic, M. Millerand, was figuratively "kicked out" of office, his resignation being forced, unconstitutionally, it is believed, by the Radical party.

Shortly after the advent of these two new governments to power, a conference, to be held at London, was decided upon, and there it was evident from the start that the statesmen representing France and England seemed to understand and make allowances for differences in respective viewpoints more readily than any of their predecessors.

The principal problem before the conference was the devising of ways and means for carrying the Dawes plan into effect. The fact that the Allied powers have been able to agree on a common plan for its execution speaks highly for the ability and broadmindedness of the statesmen concerned, as well as being a very high tribute to the practical foresight and genius

of the committee by whose efforts the plan was developed.

Stated in its broadest terms and stripped of technical language, the Dawes plan sets up the machinery for collecting from Germany the largest payments on account of reparations which it is possible for that country to make without injury to its economic life. Some of its main features are (a) The fixing of the annual reparations payments of Germany, leaving the total amount temporarily undetermined; (b) The establishment of a central bank of issue for the collection of reparations revenue; (c) Flotation of a \$200,000,000 loan in the world markets, to provide capital for the new bank, and to aid in financing reparations payments, and deliveries in kind, during the initial period; (d) Special issues of 11,000,000,000 gold marks in German railroad bonds and 5,000,000,000 gold marks in industrial debentures.

Funds for the payment of reparations are expected to be derived from the following sources: ordinary government budgetary revenues, guaranteed by certain controlled customs duties, interest on bonds, etc., and certain transport taxes. All these sources of revenue will be subject to allied control in some manner.

The reparations annuities under the new plan have been arranged on a sliding scale and the maximum amount will be attained at about the fourth year. A formula has been worked out, based on the prosperity and capacity of Germany for payment, whereby annuities may be subsequently reduced temporarily, or increased, as circumstances may warrant.

The Dawes plan contemplates primarily the cure of Europe's economic ills, and there are certain unsolved political questions, which may or may not affect its successful application, regarding which no attempt has been or could have been made to find a solution. Perhaps its greatest value lies in the new moral atmosphere which it has created, an atmosphere of confidence, and hope in the future. The mere causing of a meeting of the minds between England and France is a remarkable

achievement of incalculable value. But there are still more tangible benefits to be derived from the plan. It stabilizes German currency, gives Germany a real chance to make good by fixing her annual obligations, allows her to concentrate on her economic development without obnoxious military interference, and gives her the assurance that within a year the last French and Belgian soldier will have left her soil definitely. The council table will take the place of the armed camp, and the rule of arbitration replace the rule of force. An American will sit upon, or be chairman of almost every committee which may be called upon to adjudicate any of the delicate questions which may arise, and his judgment, unobscured by local passion, as well as his known desire to aid all parties in arriving at a fair and impartial decision, will necessarily have great weight in determining the course of events.

The great progress made in the solution of the reparations question allows us reasonably to hope that some of the other outstanding problems may be met and solved in the same spirit.

The acceptance of the principle of arbitration in the London Conference paves the way for its larger application in such questions as the inter-allied debts, the fixing of the total of Germany's indebtedness, French security, the negotiation of a commercial treaty between France and Germany, and the revision of any barriers to the freedom of international trade which may be necessary.

The consensus of opinion seems to be that the putting into effect of the Dawes plan on September 1 marks a turning point for the better in European as well as world affairs, and some of the greatest financial and economic authorities in Europe have stated that adoption of the plan is the one thing which can help to bring order out of chaos. Here in America, Secretary of the Treasury Mellon has been quoted as saying that the acceptance of the plan by the European nations meant not only the salvation of Germany, but the restoration of the economic life of the Continent. He

furthermore is reported to have said that the change in Europe during the past year has been wonderful, there being a decided improvement in trade, and a new confidence displayed by business men in general. Regarding any harmful competition from Germany, he thought it unlikely, for the reason that she would now have to go into the market to buy large quantities of raw materials, and these purchases would counteract any attempt by her to flood the rest of the world with goods made with her cheap labor. The Department of Commerce in "Commerce Reports," strikes a similarly optimistic note, stating that acceptance of the plan has meant the conclusion of perhaps the greatest effort since the war to bring about financial stabilization in Germany and economic reorganization in Europe as a whole. It is further stated that the stabilization of the European economic situation will result in a revival in world trade, in which our country is bound to have its share, and that American exports of cotton, grain, meat products, petroleum, copper, lumber, and many other staple commodities will be stimulated. In addition, the standards of production and consumption in Europe should be increased, but a warning is issued against expecting any overnight changes, and the opinion is emphasized that recovery will be gradual.

It is a matter of common knowledge that business conditions throughout Europe have been unsatisfactory for the past five years or so. The political uncertainty, and the shortsighted financial policies of some countries, have been forces for evil which have weighed heavily on business there. Today both of these factors are being controlled and corrected. The political situation has not looked so bright at any time during the past six years. All the principal European countries are now ordering their finances and proceeding on the "pay as you go" principle. Much has been accomplished in France within the past year by way of levying new taxes, and cutting down public expenditures. Italy has very nearly succeeded in balancing her budget.

Poland is making a praiseworthy effort to maintain a stable currency. Germany's currency is, we all hope, stabilized. Wonders have been accomplished in Austria, and Hungary's position is bettering.

The violent fluctuations in exchange rates have perhaps done more harm to business than any other influence. All business, especially importing, has suffered severely, and it would be too much to expect that American business should come off "scot free." Some enterprises that under normal conditions would have thrived, have "snuffed out," while others have been obliged to restrict or suspend their activities. There have been some notable exceptions, however. Banking and transportation interests and those supplying machinery for agricultural purposes, have generally speaking, done well, and it would seem that their field of usefulness could be still further developed. It has been also noticed that manufacturing concerns who operated their own factories in Europe made money, as their efficiency and quantity production methods, coupled with the fact that they were able to employ cheap local labor, enabled them successfully to meet all competition.

Regarding future possibilities for the employment of American capital in Europe, while there may yet be some surprises in store for us, the conclusion seems unescapable that our role over there must become more important as time goes on.

There is an urgent demand for capital in Germany at the moment, and if, as is expected, we invest large sums in her loans, it cannot help but promote a feeling of mutual interest and lead to other profitable enterprises.

Those who have traveled through Germany and observed her industrial organization must have been impressed by her immense potential force. It is surely but a question of time and opportunity until her weight is once more felt in the world's markets. Looking at the question from a business standpoint, calmly and dispassionately, it would seem reasonable to expect Germany to prove an excellent field

for investment, when the Dawes plan gets well under way.

Turning to France, we have a country specially favored by nature, being self-supporting in all the principal staples and, with the possible exceptions of wheat, coal and sugar, and as she gradually finds solutions for a number of pressing problems which have been absorbing her attention, no doubt we shall see production stimulated and intensified all along the line. How well balanced she is economically may be judged from the fact that she has never had to face any unemployment problem like most other countries. Here again with the stabilization of the exchange rates, American capital should find a promising and fruitful field.

Much has been said and written about conditions in Russia, but it seems hard to get at the whole truth. The Soviet Government seems to have become more moderate, and perhaps will develop into an ordinary, prosaic government more quickly than any of us expect. Some progress seems to have been made recently; its recognition by England, and the agreement, relating to landholders' claims, loan facilities, etc., may be the precursor of similar agreements with other countries. However that may be, sooner or later, Russia must take her rightful place in the concert of nations. Her vast mineral and other resources should under proper conditions provide an outlet for American capital.

In conclusion it would really seem that the hour of Europe's regeneration is at hand, and it will be to the everlasting credit of America that she helped in the attainment of that result. It is in accord with her best traditions for generosity and service, and we have all a legitimate right to be proud of the fact.

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Our congratulations are extended to Mr. Kenneth J. MacDonald, of the Detroit office, who has successfully obtained the C. P. A. certificate of the State of Michigan. Mr. MacDonald has the further honor of making the second-highest record in that state, receiving an average of over 93%.